SPORTING GOODS

Specialty Chain Census

Despite 6% Drop in '82 Profits

Oshman's to Open 14 in 1983, Including Four Upscale A&Fs

HOUSTON—Undaunted by a 6% drop in profits for 1982, management at Oshman's Sporting Goods plans to go ahead with its expansion plan during 1983.

Some 14 stores are due to open later this year; four will be the company's upscale Abercrombie & Fitch units and 10 will be regular Oshman's stores.

During 1982, when seven new A&F stores were launched and 12 Oshman's stores were opened, sales rose 14% to $247 million but earnings slipped 6% to $7 million. In the fourth quarter, sales were up 18% to $86 million and profits jumped 26% to $4.5 million.

"Overall, results weren't as good as we would have liked," said company ceo and chairman Alvin N. Lubetkin. "Sales were up because we have more stores but the slowness of business all year and our rapid expansion hurt profits."

Oshman's gave its A&F sporting goods stores a big push last year, boosting store count from four to 11. The A&F concept hit the East Coast with openings in Stamford, Conn.; Short Hills, N.J.; Philadelphia and the Washington suburb of Georgetown.

"It's a challenge bringing back the Abercrombie & Fitch stores, no matter where we did it," said Lubetkin when asked about the costs of operating the East Coast stores from the Houston headquarters. Oshman's bought the well-known A&F name in 1978, a couple of years after the original chain closed. Oshman's launched its first version of A&F in Dallas in 1981 featuring high-ticket, top-quality brand-name merchandise.

The company will keep expanding its Oshman's Sporting Goods stores within Sunbelt markets and in Florida, Lubetkin said. "We already know how to merchandise in the climate and the strategy won't stretch our operations." Distribution centers for the Oshman's stores are located in Dallas, Houston, Atlanta and southern California.

The assortment in the 8,000- to 14,000-sq.-ft. Oshman's stores includes sports equipment, shoes, hunting gear and camping equipment.

Herman's No. 1 With $275 Million

Chain	Number of units April '82	April '83	Dec. '83	Fiscal 1982 Sales (millions)
Herman's	91	95	N.A.	$275
Oshman's	157	178	191	247
Big 5	60	64	71	N.A.
Sunset Sports	36	42	48	110*
Dave Cook	14	16	18	45*
Gart Brothers	11	12	13	40*
Michigan	10	15	18	30
Champs	34	48	51	27**
Irving Sports	18	18	19	19*
Brendamour's	15	18	18	14

*N.A.—Not available. *Estimate. **Includes sales from 23 franchisees. Sales from company-owned stores totaled $13.2 million in 1982. Source: DSN research.*

Sporting Goods

(Continued from page 11)

Marvin Alpert. The chain added four new stores since April of 1982 and is scheduled to launch seven more by December of this year.

Big 5's parent company, Thrifty Drug in Los Angeles, doesn't break out volume for the chain and Alpert wouldn't reveal locations of units planned to open this year.

Sunset Sports will pass the $100 million mark for the fiscal year ending June 25, 1983. The chain will add six units to its store base this year and will launch more than 10 new stores in 1984.

Sunset Sports president Jack Spitzer said the operation's parent company, Malone & Hyde, is "very growth-minded." He predicted the food wholesaling company will increase unit count of Sunset Sports "dramatically" during fiscal 1984.

Sunset Sports and Oshman's both reported a weakening in gun sales during 1982. Oshman's cut sku's on its selection of guns while Sunset trimmed its inventory levels in the category.

Most of the sporting goods retailers checked reported strong sales of exercise equipment, sports apparel and footwear last year.

Clover's Parent Ups Sales, Net

PHILADELPHIA—Strawbridge & Clothier, parent of Clover Stores, reported higher sales and earnings for the fiscal year ended Jan. 29, 1983.

The company also reported sharply higher earnings for the fourth quarter.

For the year, earnings totaled $14.1 million, up 16.6%, on sales of $471.9 million, up 14.8%. For the fourth quarter, earnings were $12.4 million, up 44.8%, on sales of $171.2 million, up 14.8%. Officials credited mild winter weather conditions for the increases, along with improved inventory investment control, particularly in the final quarter.

The company operates 17 Clover stores in New Jersey and Pennsylvania, including two opened in March 1983.

Phillips leads the way with innovative packaging that's changing the way consumers buy motor oil.

Phillips Petroleum made history over a year ago as the first company to introduce motor oil in 12-Tray-Pak and 6-Pak shrink-wrap packaging. Since then, these innovative packages have gained overwhelming acceptance by retailers since they're easier to stock and stack, and by consumers since they're more convenient. They've compiled an impressive track record in two of the most successful Trop-Artic trade and consumer promotions ever in Fall '82 and Spring '83.

Save $1600 per truckload* during our summer promotion.

This summer you have another chance to profit from the proven success of Trop-Artic packaging. Save up to $2.00 per 24 one-quart cans or $1.00 per Tray-Pak (any combination of packages).

- $1.00 wholesale stocking allowance between June 15 and July 15, 1983 (a truckload must be ordered on Tray-Paks).
- 48¢ retail advertising allowance.
- 52¢ retail performance allowance based on supplemental merchandising and/or display performed between June 15 and July 31, 1983.

So profit from a proven success. For additional information and details of Trop-Artic's summer promotion, please contact your local Phillips Marketing representative or Paul Shipman, Jr., Phillips Petroleum Company, 7C11 AB, Bartlesville, OK 74004. (918) 661-6692.

*Truckload equals 800 24 one-quart cases or 1600 Tray-Paks.

The Performance Company

AUTOMOTIVE

Specialty Chain Census

Seven '83 Openings Due

Grand Auto Set to Crash Southern California Market

OAKLAND, Calif.—Grand Auto, which had been adhering to a strict financial belt-tightening plan, will loosen the strap a bit this year with the opening of seven new stores in the southern California market, new turf for the auto giant.

Entrance into that market had long been on the minds of Grand Auto management.

Following the prototype plan developed in 1979, hard parts will be located at the rear of each unit. The stores have also been upgraded with earth-tone interiors added to make the stores more appealing to an increasing number of female customers.

The expansion comes at a time when sales have increased modestly and earnings skyrocketed.

Net earnings reported for 1982 were $1,075,000 or $1.08 per share, compared to $676,000 or 69¢ in 1981.

On the flip side, sales in 1982 were $122,190,000, an increase of only 3.8% over 1981. John F. Goodsell, executive vice president and chief financial officer, said a weak economy was the culprit. He said that traditionally sales have grown between 8% and 10% annually and that in 1981 sales increased 19.8%.

The boost in net earnings was tagged to the austerity plan established by the company in the late 1970's. The plan called for the refining of the company's cost control programs including shrinkage control, and the renegotiation and integration of Grand Auto's credit line with several banks. The credit line renegotiation resulted in a net reduction of interest expense.

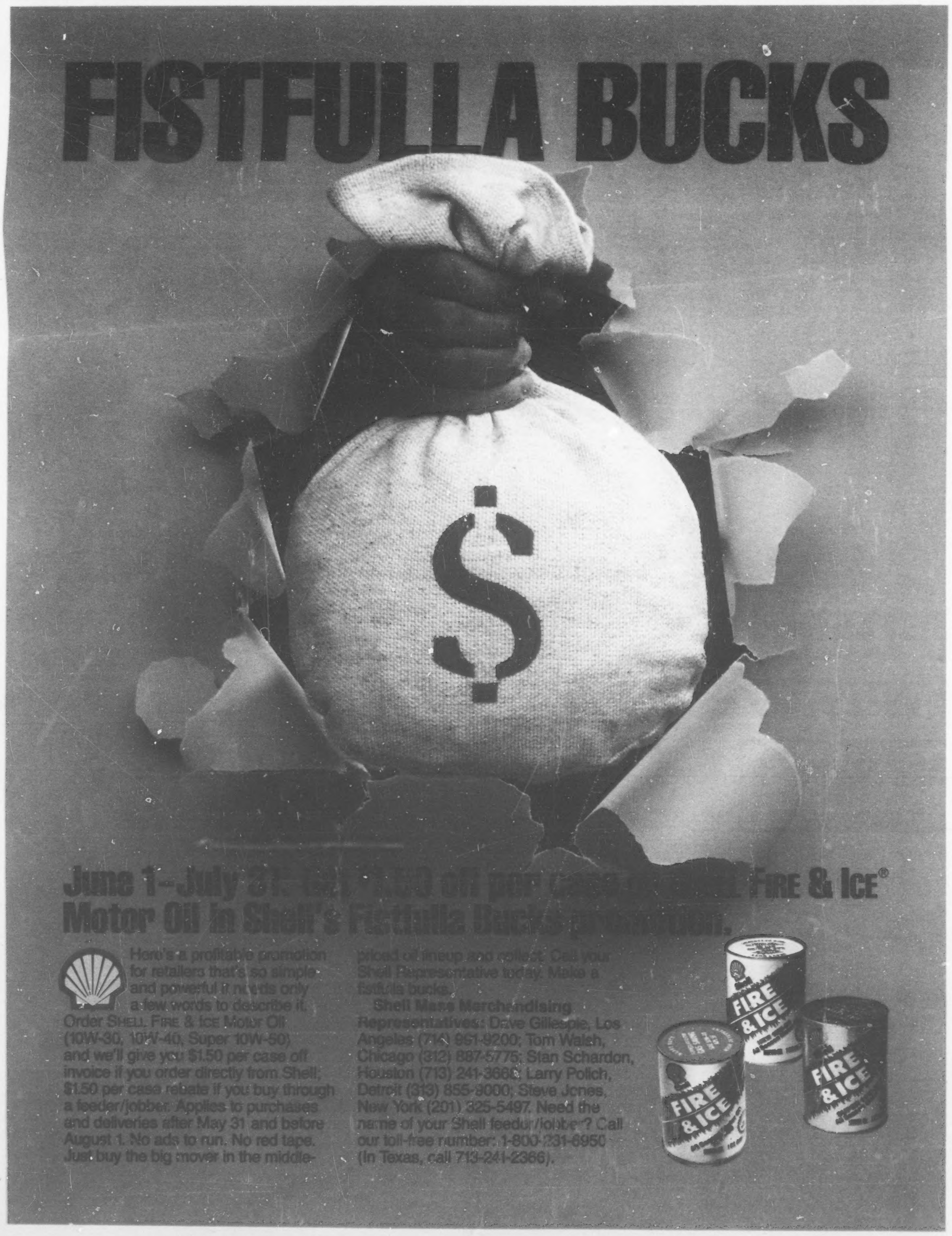
Grand Auto has 80 stores in northern California and Nevada.

Goodsell said the company veered from its policy of opening about seven stores a year in 1982, because of the nationwide recession and the feeling its "customers were strapped for money." But, he said the increase in consumer spending in the first quarter of this year was seen as a sign better economic times are ahead.

Most Chains Project Expansion

Chain	Number of units April '82	April '83	Dec. '83	Fiscal 1982 Sales (millions)
Western	3,200	2,781	2,781	$600
Pep	110	N.A.	N.A.	257*
Grand	80	80	87	122
Whitlock	75	75	80	65
Guarantee	43	48	55	27
Fleenor's	48	50	53	25
Aid	58	60	64	11
Schuck's	51	53	57	N.A.
Hi-Gear	44	46	50	N.A.
Rose	29	30	32	N.A.
Save	18	18	19	9

*N.A.—Not available. *DSN estimate.* *Source: DSN research.*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FIRE & ICE
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Automotive

(Continued from page 11)

ers is one that is industrywide, with many chains trying to capture a share of the increasing number of households where the woman is the primary or sole source of income. Executives feel the returns from this new market are worth adding staff.

The rise in the DIY market has required chains to give more floor space to expanding sku's of parts and accessories.

Most chains said the rise in popularity of seat covers has forced them to stock more colors and styles in what they consider to be a "congested" category.

At Guarantee Auto Stores, a 48-unit chain primarily in Indiana and northern Kentucky, most of the 15% sales increase last year was attributed to parts and accessories. A spokesman said the impact of the DIYer acutely seen in the parts category, with more of the nonprofessionals doing the buying.

"When people go into a repair shop and see what it will cost them for an oil change or to change some spark plugs, many folks decide it's cheaper to do it themselves," he said.

While parts alone accounted for about 35% of Guarantee's business last year, tire traffic was termed "flat."

Downturn Reported

The tire category, which once held a reasonable share of the aftermarket business, has slipped down to only a small percentage of sales. Executives say the reason for the decline is the popularity of radial tires, which last longer and in many cases can also do the work of snow tires.

One area in which auto specialty chains seemed to share sentiment was in expansion. Most outlets said they would be adding units, most of them with more selling space, to conform with their new merchandising strategies.

Whitlock, which has been forging a major effort to open more superstores, units with about twice as much selling space as smaller units, recently opened three such centers in the Chicago area.

This was also the retailer's first move into that major metroplitan area. Seven more superstores are planned in this market by year's end.

CONSUMER ELECTRONICS

Specialty Chain Census

Newmark & Lewis: Selectivity Important in Buying, Expanding

HICKSVILLE, N.Y.—At a time when many CE specialty retailers are being caught up in the surge of new products and technologies, Newmark & Lewis is working to keep a measured perspective on the industry.

"We're not out to conquer the world," said Richard Lewis, president. "We are a conservative company that likes to make sure our current house is in order before we make the next move."

For that reason, he added, the 20-store chain has grown slowly, but consistently, over the years. Lewis said current plans call for no more than one or two store openings annually.

Newmark & Lewis has carefully changed with the times, though. Years ago, major appliances accounted for about two-thirds of the chain's volume, while consumer electronics—then mostly limited to radio and television—made up the remaining third. That mix evolved with the growth of CE, until the proportions were reversed.

The size of the stores has grown also, to an average 12,000-15,000 sq. ft. to make room for the approximately 2,000 sku's on hand.

Contents of the Mix

While eying the marketplace suspiciously, the chain has brought in virtually all of the newer lines, including computers, video games, projection and component TV and telephones. But Lewis made a strong case for selective buying.

"There's too much happening right now," he said. "Computers are the most troubling to us because they afford us the least profitable centers of inventory commitment. They are highly volatile, highly sensitive, but highly advertised and highly visible, "so we must have them."

Lewis called the situation a "collapsing umbrella"—with too many uncertainties about the state of the video game market, cartridges, computers and software.

"Hopefully, as the market continues to proliferate the selection will occur naturally. There will be so much out there that the weaker ones will just fall by the wayside," he said.

Currently Newmark & Lewis stores are located in New York City, on Long Island and in Westchester County, New York. An additional store may open before the end of the year, Lewis said.

"Knock wood, business has been good and profitability has been good. I see no reason to change that," he said. "This is a family-owned business with the next generation already in place."

National TV Ads Increased By Computer Manufacturers

NEW YORK—Spurred on by the highly competitive personal computer market, manufacturers have dramatically stepped up their national television advertising.

According to the Television Bureau of Advertising, national spot and network advertising by computer manufacturers reached $77.9 million in 1982, up 196% from the previous year. Computer retailers, such as Computerland and Radio Shack, spent another $1.7 million.

The bureau, which doesn't distinguish between computers purchased for personal or business use, reported that IBM led in computer advertising on TV with total expenditures of $19.9 million in 1982, double its 1981 commitment. Commodore, a newcomer to TV, followed with $14.1 million, and Warner Communications, manufacturer of Atari, came in third at $11.6 million.

Among fast-growing categories of television advertisers, computers were led only by home electronics, the bureau said. Such categories as air freight, travel, hotels and media also showed strong gains.

Product Explosion Makes Waves

(Continued from page 11)

egy.

The profits are too low and the business is too risky, many say.

For the majority, however, the potential payoff is worth the risk.

"We've decided to take our lumps now on the possibility that the computers will become a very profitable line for us down the road," says Armand Phillipe, senior vp, marketing, for Pacific Stereo.

Pacific Stereo, he says, has been caught in the squeeze of lowered margins for the equipment. However, Phillipe sees a strong profit potential in software and peripherals.

"Overall, I see them as a valuable addition to our business," he noted.

The attention and financial commitment focused on the new CE lines may explain, in part, why the growth of new stores continues at a sluggish rate for the majority of the chains.

Among the leading chains reviewed by *DSN*, there was a 2.5% rate of growth in new stores—nearly all of it by Radio Shack.

"The casualty rate for the smaller stores is just extraordinary," says Richard Lewis, president of Newmark & Lewis. His company has opted for a very conservative approach to expansion, planning to add no more than one or two stores each year.

"The market is an incredible mishmash right now," he says. "No one can sort it out and point in any clear direction. It's very troubling and very unsettling."

Directory Adds 2 Categories

NEW YORK—The growth of consumer electronics and sporting goods retailers has resulted in those categories being added to the just released 1983 Directory of Discount Stores & Catalog Showrooms, published by Lebhar-Friedman, parent company of *Discount Store News*.

The consumer electronics, audio and photo section lists 1,518 companies operating 14,044 stores. The sporting goods section lists 1,245 retailers operating 5,005 stores.

The 1983 directory also lists 400 discount companies operating 8,000 stores and 350 catalog showroom companies and coordinators operating 1,600 catalog showrooms. Food and Rx departments are also listed.

The guide is available for $139 from Lee Appel, *Chain Store Guide*, 425 Park Ave., New York, N.Y. 10022.

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CONSUMER ELECTRONICS

Specialty Chain Census

Radio Shack Tests Four Phone Centers

(Continued from page 2)

merchandised and hasn't been well-thought out in any kind of retail format."

That void, Asher noted, was created by the relatively sudden split-up of A.T.&T., which thrust it into the retail marketplace.

Another element of Tandy's decision to experiment with the centers is grounded in the belief that the small-systems market is larger than anyone currently believes—containing thousands, perhaps millions, of people who maintain offices in their homes.

To date, only the Bell PhoneCenter stores have operated in the form of a large chain, making Tandy the first established retailer to move toward that concept.

The first of the stores opened Feb. 14; Asher said it's too early to judge the results.

"But you know us. If there's one thing we're not bashful about, it's opening stores," he said. "If we don't know anything else, we know how to do that."

The Radio Shack phone centers stock just under 500 sku's in stores approximately 2,500 sq. ft. Typical Radio Shack full-line stores average between 2,000 and 2,500 sq. ft.

Each of the stores is also formatted differently, containing different carpet and wall colors, and different fixtures. Some stores use a conference room for small business sales, while others use booths.

"We have an idea of the market we want to address. Now we just have to figure out how we want to do it," Asher said.

Aggressively moving into new markets, coupled with mass store openings, has played a major role in making Radio Shack the giant in specialty consumer electronics chains.

The Strategy

Last year, the company continued its strategy of opening computer centers and retail stores at a quick pace, with 334 units added.

The new stores contributed to total sales of nearly $2.3 billion for the calendar year, a 20% increase over the previous year.

First-quarter projections show sales rising 25%.

There are 388 computer centers now operating along with 533 expanded computer departments in full-line stores. All Radio Shacks carry a selection of the personal computers.

This is ample testimony to Tandy's commitment to the market and their belief in its potential, according to Ron Stagell, vp, computer marketing.

In fact, Tandy may be one of Radio Shack's largest customers, using more than 5,000 of the units for data capture—sales, inventory control and ordering—which is then sent nightly to Tandy's mainframe computer in Fort Worth.

Stagell argued that only a fraction of the small-computer market has been touched by manufacturers, making a case for the intensely competitive atmosphere that has lately been giving other retailers headaches.

He said that while Radio Shack would continue marketing units designed primarily for in-home use, the small-business and educational users will retain the greatest share of the company's interest, at least in the short term.

According to Asher, Tandy plans to continue opening the computer centers at the rate of 125-130 annually.

While computers and telephones are lately occupying a good deal of the attention, Tandy appears to be maintaining its involvement with audio and electronic gadgets and accessories.

Still A Major Factor

Stereo systems are still prominently displayed along side and rear walls of most stores, and the number of sku's in the chain's catalog appears to have expanded slightly.

Further evidence can be seen in last summer's acquisition by Tandy of the consumer products division of Memorex, accounting for about $80 million in sales.

In fact, only one consumer electronics area has eluded Radio Shack's grasp—video, according to Bernard Appel, exec vp.

"We were in video discs for awhile, but it didn't work out very well, so we sold the model," he said. "We're just not very strong in home video. We've kept some small TVs, but nothing bigger than a 13-in. color set."

When displayed in Radio Shack stores, that color set is usually set up as a video display terminal for one of the computers, which may account for some of its success.

However, video won't make a comeback in the stores, at least in the foreseeable future, Appel said.

Company officials said they can live with that missing link for the time being, content with profits that rose 23.3% in 1982.

Those kinds of results have made Tandy the CE retailing darling of at least some Wall Street analysts, who maintain a constant—if somewhat skewed—outlook on the industry.

"Tandy, Tandy, Tandy," said one. "They are so much bigger than everyone else that there's really nothing else to watch. At least for the moment."

American of Madison Thrives on Odd Trio

MADISON, Wis.—American of Madison is a hybrid among discount specialty stores.

The chain of just three stores recorded $100 million in sales last year through a peculiar mix of consumer electronics, appliances and furniture.

Additionally, there is little similarity among the stores. The largest, in Madison, covers 115,000 sq. ft.—while the location in Marquette, Mich., is 30,000 and the store in Appleton, Wis., is just 10,000 sq. ft.

"The stores have just built up that way," said George Ruhle, president. "It may be an unusual combination for everyone else, but not for us."

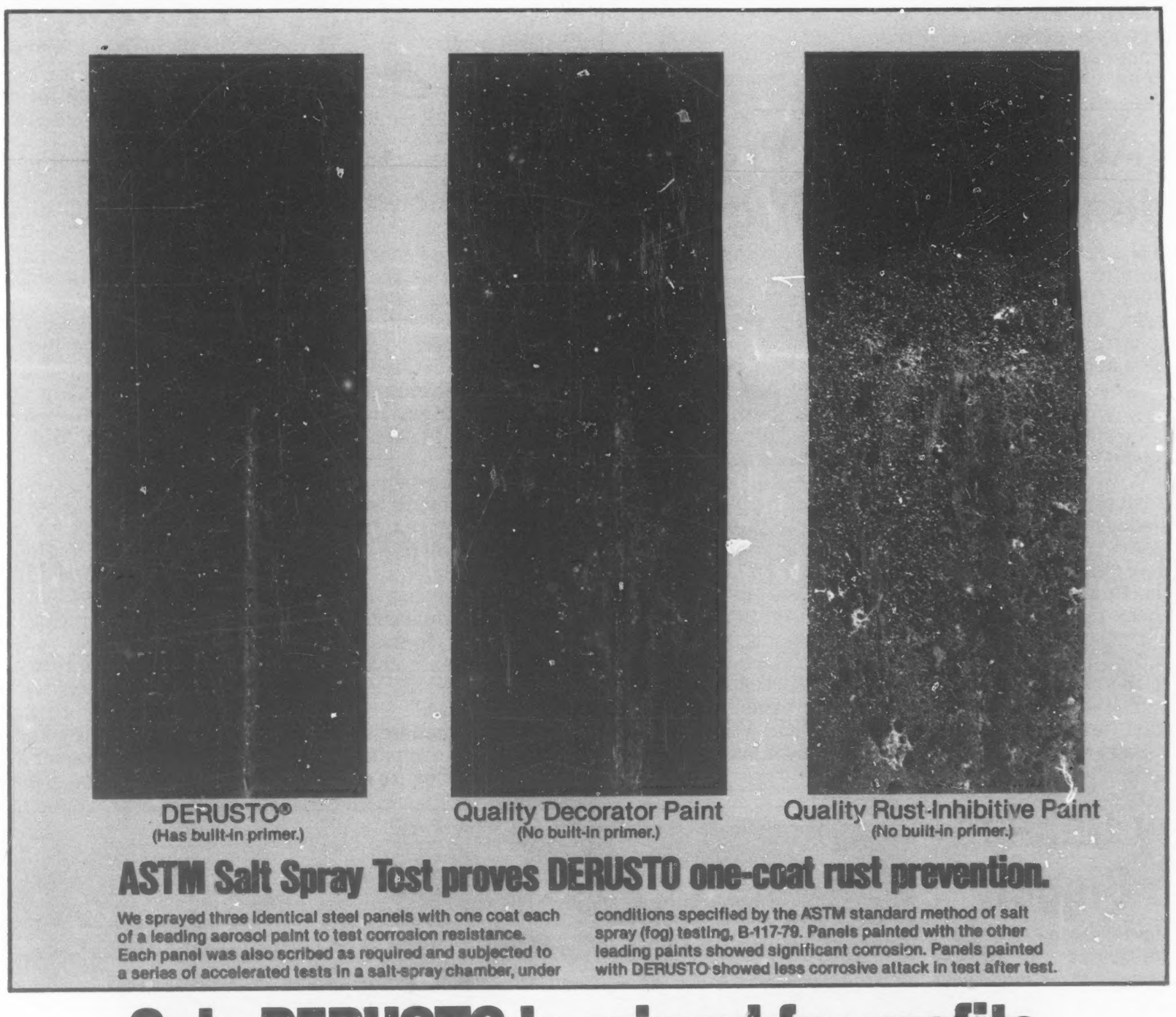
The stores carry an estimated 1,500-2,000 sku's with audio products producing the largest volume.

A separate computer department was added about one year ago. Ruhle said the chain also carries a wide assortment of home video, telephones and accessories.

Originally, the company was a small television store with volume under $2 million. Its strong growth pattern began in 1973, at about the same time the rest of the CE industry underwent major expansion. However, Ruhle resisted the trend to open large numbers of stores.

"We run our stores very intensively in developing strong sales per square foot. We felt we could control it better with a minimum number of stores and a high level of management capability," he said.

Sales per square foot reached $645 last year.



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TOYS

Specialty Chain Census

Kay-Bee, on a Roll, Projects 60 Bows

LEE, Mass.—Kay-Bee, under the financial wing of its parent company Melville, opened 93 new stores in 1982 and closed two, raising the number of units to 361, a 33% increase over the previous year.

For 1983, Kay-Bee president Howard Kaufman forecasted the company would open an additional 60 stores and close three, bringing the chain's roster up to 418 locations in some 46 states. The heaviest concentration of outlets is presently in New York with 41 stores. Pennsylvania has 29 units, California 25 and Ohio 22.

Kaufman reported all new stores will be "located in enclosed malls throughout the country."

Sales for Kay-Bee surged 71% in 1982, to $183 million, compared to 1981's $107 million. This marked a significant contribution to the Melville conglomerate's portfolio since companywide sales rose only 18.1% in 1982 over the previous year.

Melville's annual report indicated that Kay-Bee accounted for 5.6% of Melville's total sales.

Melville acquired Kay-Bee in July 1981 for $64.2 million, and laid out an initial $7 million. The $57 million balance is being paid over a three-year period. The corporation's motive was to expand its assortment of specialty store chains to a new area, enhancing its stance in dealing with shopping center developers.

The specialty chain list now includes Meldisco footwear departments in K mart, Thom McAn shoes, Open Country shoes, Melville Footwear Manufacturing, Marshalls apparel, Foxmoor women's apparel, Chess King men's apparel, Wilson's leather and suede apparel, CVS drug stores and Kay-Bee.

Kay-Bee stores average 3,500 sq. ft. in size.

Toy World Is Now Up For Sale

BURBANK, Calif.—Toy World, as part of the Wickes Companies' latest bankruptcy proposal, is now up for sale.

The West Coast-based toy chain, which Wickes acquired when it purchased Gamble-Skogmo in 1980, closed eight units in 1982—two in Washington and six in California. That brought the current count to 45 units. The roster now includes one outlet in Nevada, seven in Arizona, three in Utah and the rest in California.

At presstime an investment banking firm was working on the Toy World sale, but the dollar value placed on the chain wasn't available.

At store level, however, it is business as usual according to a chain official, who expects 1982's sales of $33 million to increase 10% in 1983, reaching approximately $36 million.

Wickes filed Chapter XI on April 24, 1982. with skyrocketing interest rates and other factors crippling the corporation since it assumed a $563 million debt when it acquired Gamble-Skogmo.

Negotiations are currently under way to reorganize Wickes and repay its creditors.

It was decided in February 1983 that Toy World "wouldn't fit into the company's reorganization plan," stated an official. Other retailing companies that Wickes is divesting include Rasco, J. M. McDonald, Farmaster and Wickes Engineered Materials.

Toys "R" Us Charts New Enterprises

(Continued from page 11)

nadian stores, earmarked for the Toronto metropolitan market for 1984.

An even more exotic foreign venture, however, is the company's recently signed licensing agreement with a firm from Kuwait—Alghanim—in which Toys "R" Us will provide technical assistance and buying services to launch toy stores in the Middle East. The first such unit is targeted to open in Kuwait in September.

Back on the domestic front, the bullish company added 24 new units in 1982, and plans to open another 25 this year, bringing the year-end count to 169.

By the end of 1983, the chain will cover some 30 markets in 37 states. The new markets it will be entering this year included parts of Tennessee and Georgia, including Atlanta. Last year it debuted in the southeastern Florida area in five locations—West Palm Beach, Altamont Springs, Hollywood, Hialeah and Plantation.

In 1982, electronics accounted for a growing percentage of the chain's sales. Last year it comprised 18% of the chain's total volume in contrast to 1981's 11%.

"Electronics has helped expand the toy market from just children to teenagers and adults," stated a chain official. "It has helped us expand our customer base."

To accommodate this rapid growth, the company is presently renovating its electronics display, enabling customers to view merchandise through plexiglass cases. These changes will be completed chainwide within the next few months.

President and chief operating officer Norman Ricker announced two top management changes at presstime. Seymore L. Ziv, 57, was promoted to the new position of executive vice president-product development, and Howard W. Moore, 52, was named executive vice president-general merchandise manager. Ziv is a 25-year Toys "R" Us veteran, previously holding the title of senior vice president-general merchandise manager.

Lionel, Creditors Agree

(Continued from page 2)

itors rejected didn't call for the sale of its Dale interests and also proposed a smaller initial payment.

In further efforts to reposition itself in the toy business, Lionel closed 49 stores in 1982 including its 18-unit basic toy store division which operated under the name Toys Plus. Seven of these outlets were sold to an independent toy retailer; the rest were closed. That marked the exit of Lionel from states including Alabama, Arkansas, California, Texas, Ohio, Kansas, Minnesota and Virginia.

Currently, Lionel operates 56 toy supermarkets spanning 14 states. The heaviest concentration is in the southern New Jersey and Philadelphia markets. The Southeast also remains strong with 12 stores in Florida and four in Georgia.

The northeastern outlets are called Lionel Kiddy City; those in the Baltimore market are called Lionel Toy Town and the rest are run under the Lionel Play World logo. This is the result of the company's past strategy of growth by chain acquisition.

Additional efforts to retrench Lionel's operations included the closing of six warehouses in 1982 and a 20% reduction of the home office staff in Philadelphia, according to Lionel Leisure president and chief operating officer Steven Becker.

As a result Becker reported the chain is already experiencing "some profit gains" for 1983 after the "substantial operating losses of 1982."

The chain, which began 1982 with 105 stores doing $240 million in sales, closed that year with 81 stores ringing in $180 million.

In 1980, Lionel acquired 40 stores through the acquisition of two toy chains in Texas and California.

Analysts agree this shotgun expansion was ill-timed with the arrival of the country's recession and is believed to have triggered the company's Chapter XI. When the company filed for bankruptcy it claimed a net loss of $5.5 million.

FTC Abandons Ad Probe Of Ideal's Slot-Racing Set

WASHINGTON—Federal Trade Commission officials closed down an investigation of allegedly false and misleading advertising in connection with recent promotions for Ideal's Dukes of Hazzard Electric Slot Racing Set.

After reviewing the evidence collected by Federal ad investigators, FTC Consumer Protection Bureau Deputy Director Amanda Pedersen told Ideal that "it appears that no further action by the commission is warranted at this time" and that the probe has been terminated.

In notifying the manufacturer of the action, Pedersen cautioned that the closing isn't "a determination that a violation may not have occurred," and that FTC "reserves the right" to take further action against Ideal toy ads in the future.

The agency didn't reveal what aspects of the slot racing set ads had been under scrutiny.

In the past, however, FTC has imposed somewhat more rigorous standards of fairness and accuracy to product advertisements designed for young children. Among other things, the commission has questioned ads that portray toys performing stunts or tricks.

For a time, FTC considered plans for even more stringent regulations governing children's advertising, including an all-out Federal ban on TV commercials directed at the very young. The commission's controversial "Kid-Vid" proposal was withdrawn last year, however.

Hobby Centers To Be Bigger

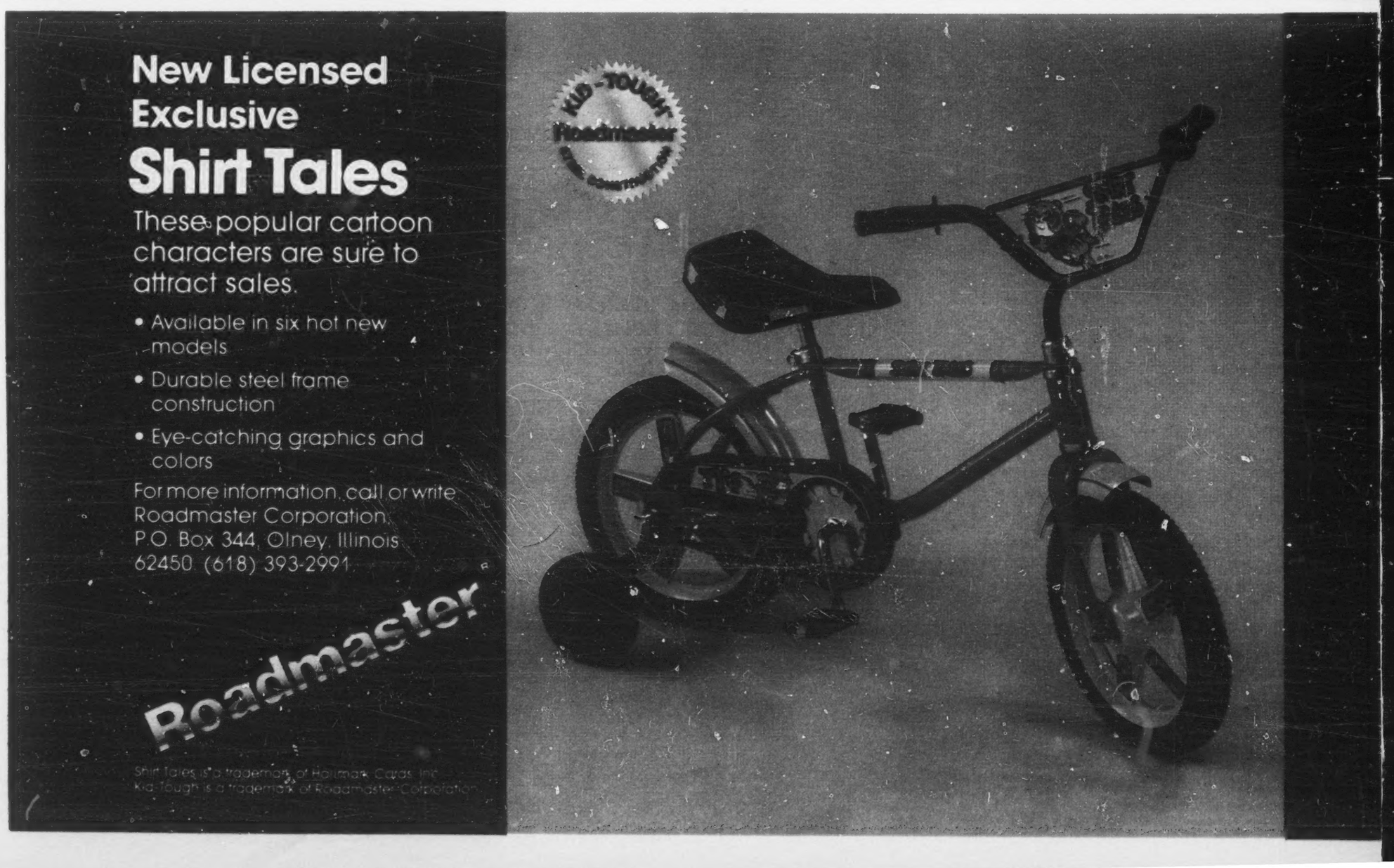
HOLLAND, Ohio—Hobby Center is enlarging its stores, with its newest outlet measuring 4,400 sq. ft.

"Wherever larger space is available we are trying to work out an opportunity to move in," stated Ben Savino, vice president for the 22-unit, family-operated chain. The stores are typically 2,200 sq. ft.

Two new stores are targeted to open this year, with possible sites slated for Michigan and Ohio. These units will measure 3,000 to 3,500 sq. ft. and will be located in malls.

Sales for 1982 were flat compared to the previous year's $8 million, Savino reported, pointing to the recession and inclement weather. But the outlook for 1983 is more promising, he said. After a strong Christmas season, he hopes to see a 7% to 8% improvement.

Savino noted the chain has been shifting further away from promotional toys and is establishing a strong reputation as a source of high quality merchandise.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APPAREL

Specialty Chain Census

Apparel

(Continued from page 11)

ing in general merchandise retailing . . . off-price apparel specialty stores. It's estimated that off-price retailers now control only about 6%, or $5 billion, of total apparel sales. But that figure is expected to leap to 25% of the current $80 billion-plus apparel business by the end of the decade.

What the chains are doing now is, obviously, jockeying for position in a retailing category that is becoming so crowded, so competitive that the words "growth" and "shakeout" are both used in the context of off-price apparel.

With the proliferation of competition, off-price operators are trying a variety of formulas to set them apart.

According to Gary Rosenberg, vice president of San Francisco-based Pic-A-Dilly, one of the changes taking place is that off-pricers are now starting to advertise on a regular basis.

Advertising Upped

"Most off-price chains never used to advertise at all," said Rosenberg. "Now they're doing it because of the competition. We have started advertising too, but we don't believe it's a defense mechanism. We're trying to create awareness of what our stores represent."

When the off-price business began to blossom, about three years ago, an often stated concern about the future of the business was the availability—or lack of availability—of merchandise when the economy turned around and manufacturers no longer had to rely on off-price retailers to unload their overruns.

Off-price retailers contend that concern has now been laid to rest; plenty of merchandise will fill their growing pipelines. chain, put it this way: "One of the things which created the off-price retailing industry was our excellent vendor relations. We buy on a net basis; we talk price but we don't talk all kinds of advertising and return deals like the department stores do. For manufacturers, off-price chains offer a very clean and profitable business that they've come to rely on."

ClothesTime, a specialist in casual apparel for young customers, is experimenting with larger stores and a layer of higher price points, to attract customers to about age 34.

ClothesTime: 5-Year Plan

(Continued from page 2)

T. J. Maxx and Marshalls. We can also open up next to these chains and be very successful. More direct competition for us are chains like Pic-A-Dilly and Dimensions."

Although ClothesTime has been concentrating on a 3,000-sq.-ft. store prototype, the chain is now experimenting with three stores in the 6,500-sq.-ft. class stocking higher priced merchandise—with such labels as Ann Klein, Gloria Vanderbilt and Ellen Tracy. The experimental stores also include a career shop although the stock remains highly sportswear oriented; the fashion emphasis remains casual.

Nielson said: "We're working on the new prototype in order to increase our customer base from 14- 24-year-olds up to about age 34, but we have no intention of losing our young customers. We want to give our customers greater selection, and we've added higher price points because off-price customers have shown time and again they want quality merchandise."

In Nielson's view, a key to successful off-price chains, particularly launching one from scratch, is a strong management team with experience in the off-price field.

Child World No. 2 in Toy Sales

(Continued from page 2)

tronics.

Further growth is projected for 1983, when the electronics volume is expected to comprise at least 25% of total sales.

While Chase reported the strength of the video and computer business in 1982 adversely affected other toy areas—such as bicycles, boys' toys and board games—he expects this trend to turn around this year.

"As computers become a larger percentage of the electronics business than video, the stores' customer base will grow to include more adults."

For the current year Chase already reported a bounce-back in some of the categories the video craze helped soften last year. He projected "strong double-digit increases" in nonelectronics areas for 1983.

Two promotional tools Child World implemented last year and continues to use with significant results, according to Chase, are a mothers-to-be registry and a birthday club for children under 12.

ADG in Accord To Pay $96M For Loehmann's

NEW YORK—Once again, Associated Dry Goods, the $3 billion retail conglomerate, went to the head of the class for its entry into a new retail segment.

Two years ago, the department store group purchased Caldor, the Norwalk, Conn.-based upscale discounter. Now, it has signed a letter of intent, agreeing to pay $96 million in cash for Loehmann's, the 61-store off-price women's apparel chain reputed to do $260 million in sales.

Not long after Caldor's acquisition, ADG's management acknowledged its strategy was to beef up its position in upscale discounting; its next stated objective was an entry into the off-price women's apparel specialty store business.

The result was the agreed-to purchase of Loehmann's from AEA Investors, a privately held diversified group which purchased Loehmann's in 1980, when Loehmann's was a public company, for about $68 million.

Wall Street analysts concur ADG and Loehmann's are a good match.

Bruce R. Grier of Drexel Burnham Lambert said "Loehmann's puts ADG in the upscale end of the off-price business. That's good synergism with their department stores and Caldor."

With Loehmann's expected to operate autonomously as part of ADG, and George J. Greenberg, chairman, president and chief executive officer, continuing in those capacities, Grier added: "George Greenberg has already been through three evolutions with Loehmann's. He worked for the widow of the founder of Loehmann's; he headed it when it was a public company, and he headed it when it was owned by the investor group. He ought to work well with William Arnold, ADG's chairman and ceo."

Grier also speculated Loehmann's could be used as a vehicle to move into unproductive ADG department store sites.

"I'm not saying ADG is going to close down another whole group of department stores, but there's always a particular location among department stores that doesn't do well."

Regarding the $96 million purchase price, AEA investors made a healthy $28 million return on their original investment in less than three years. Since privately held Loehmann's earnings aren't disclosed, analysts could only estimate whether ADG was getting good value for its $96 million.

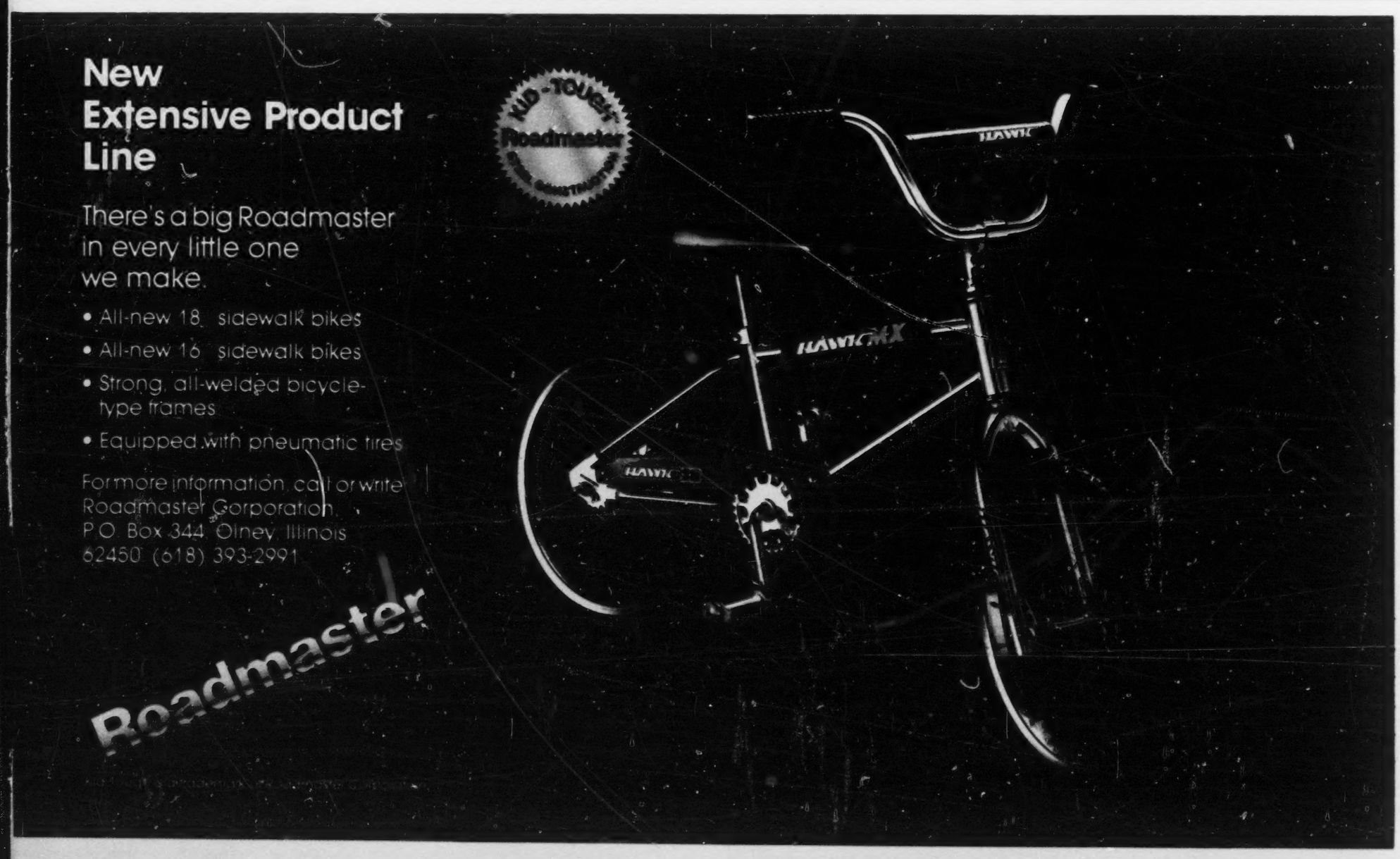
Adding It Up

Jeffrey Edelman of Dean Witter Reynolds said he believed Loehmann's pretax earnings were $20 million last year on sales of $260 million. "That would mean ADG is paying 9½ times earnings," said Edelman, "and that's a reasonable price. It's a good acquisition for ADG."

Reluctant to comment on the price for Loehmann's without a bottom-line figure, Grier commented: "I could name many acquisitions that seemed on the high side at the time. Everybody said Dayton Hudson paid a high price for Mervyn's; they said ADG paid too much for Caldor. When ADG bought Caldor it paid a price that did dilute per-share earnings in the beginning. But look what Caldor did for ADG in sales and profits."

Edelman also noted ADG sold its two-unit Diamond's department store division shortly after the Loehmann's acquisition was announced; the decision to close Stewart's had already been made.

"Closing these two divisions and adding Caldor and Loehmann's means a big change in the composition of ADG," said Edelman. "Now, about 35% of ADG sales will come from discount, or off-price, stores. Two years ago, ADG wasn't even in this business."



U.S. Importing More Apparel

ARLINGTON, Va.—In 1982 apparel imports in the United States increased by 8% in square yards and 9% in value over 1981, according to the annual issue of the *Apparel Import Digest*, published by the American Apparel Manufacturers Association.

United States imports of all apparel last year amounted to 121,353,000 dozen or 1,456,-236,000 garments. The value of these 1.5 billion garments was $7.1 billion and represented 3.38 billion sq. yds. equivalent.

The association's *Digest* also said that while apparel imports increased 9% in value in 1982, exports declined 25%, resulting in an apparel trade deficit of $6.6 billion.

Imports in all three major fiber categories increased in 1982: cotton by 6%; wool, 3%, and man-made fibers, 9%.

Apparel imports from Hong Kong, Taiwan, Korea, and the People's Republic of China supplied 70% of the total coming into the United States.

5/25/83

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New Productivity Survey: P. 86

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Discount Store News®

THE NEWSPAPER OF THE DISCOUNT DEPARTMENT STORE INDUSTRY

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Stores, Merchandise Upscaled by K mart; Diversification Gains

TROY, Mich.—Following a two year in-house study of its strengths and weaknesses, K mart is on a new course. It's upgrading stores and the merchandise mix to boost the return from existing stores; and it's reaching out for ways to diversify the business.

Chairman Bernard M. Fauber called 1982 "a turning point" for K mart, and 1983 plans for accelerating the groundwork already laid for the K mart of the 1980's were made.

Among the plans for the K mart stores in 1983 are:

- The installation of its "Names for Less" branded apparel program in about 500 stores by the end of the year. Abetting this program will be the addition of Wrangler jeans in all stores, in all size ranges.
- The spread of its Kitchen Korner, brand-name, fashion-oriented housewares area, to about 300 stores, following its successful 1982 introduction in 27 stores.
- The new Bed and Bath Shops, also 1982 introductions, are planned for approximately another 300 stores.
- New consumer electronics centers will be placed "in several hundred" stores following their successful 1982 test-marketing.
- With the added emphasis on brands in soft and hard lines, K mart has traded in its ad theme "K mart is your saving place" for "The brand name savings store."

(Continued on page 40)

Marshalls launched a new prototype in Denver to distinguish it from the off-price competition. It features a race track format, a new color scheme, lighting, fixtures and department signs.

Marshalls Upgrades Prototype As Off-price Competitors Sprout

WOBURN, Mass.—Marshalls, largest of the off-price apparel chains, has responded to its market-by-market competitive traffic jam with a new, upgraded prototype to distinguish it from its rivals.

In the "new" Marshalls the color scheme is mauve-to-purple; there's a race track configuration; about half the fixtures are new; and all merchandise dumps have been abolished.

The prototype for the Marshalls stores, which average about 30,000 sq. ft., was given a trial run with the chain's entry into the Denver market. When the new approach was declared a success, management gave the green light to the "Denver look" for all stores—approximately 38—scheduled to open in 1983. To date, about 20 stores have opened with variations of this prototype.

Some existing stores are scheduled for the Denver-type overhaul. The remodeling will begin with about three stores in the Washington, D.C., area a market that's a strong one for Marshalls and where the age of the stores puts them at the head of the list of those due for refurbishing.

"We used to have much less off-price competition in each market, but now we're locking horns with everybody."—
Dennis R. St. John, vp, Marshalls.

Dennis R. St. John, vice president of facilities, explained why management of Marshalls, whose 108 stores delivered sales of $829.9 million in 1982, for a 34.2% increase over 1981, felt the time was ripe for presenting an upgraded image.

"We used to have much less off-price competition in each market, but now we're locking horns with everybody, chains like T. J. Maxx and J. Brannam," said St. John.

"Most of our type of operations had essentially the same look. Everyone presented a 'big box' filled with merchandise and little attempt at presentation or merchandise highlighting. We've all just been telling customers, 'here it is.' With our new image we intend to eliminate customer confusion among the off-price competition and present a higher-quality image than the competition."

Marshalls' "big box"—which has traditionally used straight line, front-to-back placed mer-

(Continued on page 119)

NMRI, AGMC Continue To Debate Merger Bid

NEW YORK—The decision about whether to merge the National Mass Retailing Institute (NMRI) and Association of General Merchandise Chains (AGMC) was still being debated at press-time.

But, sources close to the deliberations say the process is moving ahead, and that they expect the merger committee formed by each organization to set a single, final proposal before the NMRI's board of directors for a vote during the group's annual meeting in New Orleans.

The proposal most likely to be put on the table, according to reports, is for a trade association that has one (retailer) chairman, two presidents and two offices, neither of which would be a headquarters office.

Richard I. Hersh, president of the NMRI, would be president of the New York office and Ed Borda, president of the AGMC, would head the Washington office.

The New York office would handle meetings and conventions and most membership functions, while the Washington office would handle legislative and lobbying matters.

(Continued on page 116)

Faithful to Discount Roots, However

Expanding Mars Selectively Trades Up

By BRENT H. FELGNER

CHICOPEE, Mass.—Mars Stores, on an expansion kick, has launched a campaign to "selectively trade up"—mostly in apparel—while trying to keep a firm grasp on its traditional discounter roots.

The effort has, by design, fallen well short of anything approaching the category of upscaler as defined by the Bradlees or Caldor prototypes. But, the nine-store chain made noticeable strides in fixturing and merchandise assortments last month at the opening of its newest store, the first in the Chicopee-Holyoke-Springfield market.

The 56,000-sq.-ft. entry is the second in a series of four new stores—all of them former King's locations—scheduled to debut this year, bringing the chain's total to 11 units. Stores in Ludlow and Salisbury will bow this summer, while a store in Lowell opened in March.

The four stores will increase Mars' selling area by 50% to an approximate total of 720,000 sq. ft.

The expansion and trade-up

(Continued on page 114)

"We're trying to develop a brand-name image. But, you still have to promote your discount store on a price basis."—Paul Kwasnick president and ceo, Mars Stores. *(DSN photo)*

Digest May 16, 1983

NMRI CONVENTION

- ***DSN*'s special section on the NMRI convention includes:** a look at the New Orleans market (p. 18); seminar previews (pp. 23-37); chain profiles (pp. 38-57); computerization (pp. 58-65); advertising (pp. 66-74); store operations (pp. 75-90), and personnel (pp. 92-94).

CATALOG SHOWROOM NEWS

- **Consumers Distributing (U.S) finally turns a profit. (p. 5)**

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